I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Dr. L.S. Smith ("Smith" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.
III.

On the basis of this Order and Respondent’s Offer, the Commission finds\(^1\) that:

A. **Summary**

This case arises out of financial reporting, books and records, and internal controls violations by DGSE Companies Inc. (“DGSE”) and its former Chief Financial Officer, I. John Benson (“Benson”), that occurred during Smith’s tenure as DGSE’s Chief Executive Officer. These violations led to a number of accounting misstatements in DGSE’s publicly-filed annual and quarterly reports, which were caused by fraudulent accounting entries made or directed by Benson. As a result, DGSE was required to restate its financial statements. The Commission does not allege that Smith participated in the wrongful conduct. Smith has not, however, reimbursed DGSE for incentive compensation and stock sale profits he received during the relevant period, as required by Section 304(a) of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”).

B. **Respondent**

1. Smith, age 67, was the Chairman of the Board of Directors and Chief Executive Officer of DGSE from 1980 until 2011.

C. **Other Relevant Entity**

2. DGSE was, at all relevant times, a Nevada corporation headquartered in Dallas, Texas that buys and sells jewelry and bullion products for individual consumers, dealers, and institutions. Its common stock is registered with the Commission under Section 12(b) of the Exchange Act and is traded on the NYSE MKT under the symbol “DGSE.”

D. **Facts**

3. On June 2, 2014, final judgments were entered against DGSE and Benson in the civil action entitled Securities and Exchange Commission v. DGSE Companies Inc. and I. John Benson, Civil Action Number 3:14-cv-01909-B, in the United States District Court for the Northern District of Texas.

4. The judgments were based on significant accounting irregularities that occurred at DGSE between 2009 and 2011. The accounting irregularities were caused by fraudulent accounting entries made or directed by Benson, which materially overstated inventory and went undetected as a result of DGSE’s failure to maintain appropriate accounting systems, policies, procedures, and controls. As a result, DGSE filed Forms 10-Q and 10-K for the fiscal years 2009 and 2010 that were in material non-compliance with its financial reporting requirements under the federal securities laws.

\(^1\) The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.
5. Due to DGSE’s material non-compliance with its financial reporting requirements under the federal securities laws, and as a result of its misconduct that improperly inflated DGSE’s inventory accounts, DGSE restated its financial statements for the fiscal years ended 2009 and 2010 (and the quarters in those years).

6. During the 12-month periods following DGSE’s filing of its inaccurate financial statements, and before any restatement or correcting disclosure, Smith received, from DGSE, incentive bonuses as part of his employment with DGSE. During the same period, he also profited from the sale of DGSE stock.

7. Under Sarbanes-Oxley Section 304(a), “any bonus or other incentive-based or equity-based compensation” Smith received from DGSE and “any profits realized from the sale of [DGSE] securities” during the relevant period are subject to reimbursement to DGSE. However, Smith has not reimbursed DGSE as required by the statute.

8. The Commission has not exempted Smith, pursuant to Sarbanes-Oxley Section 304(b), from the application of Sarbanes-Oxley Section 304(a).

9. As a result of the conduct described above, Smith violated Sarbanes-Oxley Section 304(a).

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Smith’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Smith cease and desist from committing or causing any violations and any future violations of Sarbanes-Oxley Section 304(a).
B. Respondent shall, within thirty (30) days of the entry of this Order, reimburse DGSE a total of $106,250 and 59,738 shares of DGSE stock pursuant to Section 304(a) of the Sarbanes-Oxley Act, 15 U.S.C. § 7243. Respondent shall simultaneously deliver proof of satisfying this reimbursement obligation to: Chris Davis, Division of Enforcement, U.S. Securities and Exchange Commission, Burnett Plaza, Suite 1900, 801 Cherry Street, Unit 18, Fort Worth, TX 76102.

By the Commission.

Brent J. Fields
Secretary